

EuroDairy

Report for policy makers, including
recommendations for further R&D in relation
to sustainability



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Report for policy makers, including recommendations for further R&D in relation to sustainability and policy development needs in relation to socio-economic resilience

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About EuroDairy

EuroDairy spans 14 countries, from Ireland to Poland, and from Sweden to Italy, encompassing 40% of dairy farmers, 45% of cows and 60% of European milk output. EuroDairy is an international network to increase the economic, social and environmental sustainability of dairy farming in Europe. EuroDairy fosters the development and dissemination of practice-based innovation in dairy farming, targeting key sustainability issues: socio economic resilience, resource efficiency, animal care, and the integration of milk production with biodiversity objectives. EuroDairy is funded by the EU Horizon 2020 research and innovation programme under Grant Agreement No 696364.

1. Key messages for policymakers on dairy sustainability

The three pillars of sustainability (economic, social and environmental) apply squarely to dairy farming in Europe. Within the broader environmental pillar, biodiversity is becoming a key component, if not a fourth 'pillar' in its own right.

The sustainability challenges for the dairy industry in Europe were well articulated by Andre Legall (Institut de l'Élevage) at the EuroDairy Workshop on 22nd January 2019, reinforced for the whole livestock sector at the final conference on 23rd, by Jean-Louis Peyraud from the Animal Task Force.

Economic sustainability is a precursor to the long-term delivery of the outputs expected by society – provision of food, protection of landscape, efficient use of resources, high standards of animal welfare, reduced environmental impact via emissions to air and water etc.

Thriving, even surviving, in the dairy sector has become even more challenging since the abolition of quota. Only a proportion of farms make any real return in terms of Entrepreneurs profit (EDF Cost of Production Model). Return on family labour is often low. During downturns in the market, dairy farmers tend to tighten their belts further, and soldier on. This is not conducive to a resilient farm or sector, drawing the question posed by Steffi Willie-Sonk of EDF at the EuroDairy workshop, as to whether many businesses were 'resilient', or just 'resistant'.

The response to economic pressures in the dairy sector is usually in two directions, pursuit of:-

- volume, increased productivity and reduced cost of production, or
- differentiation, based on origin or particular attributes, related to health and nutrition, animal welfare, GMO-free, organic, proximity to the consumer etc. The supply chain can add further differentiation beyond the farm gate through branding, though arguably most of the value will stay beyond the farm gate.

Sustainable businesses are capable of making a decent profit when milk prices are good, and have a cost structure to allow them to survive when prices are poor. They produce a viable income, allied to a good quality of life, to the extent that succession by the younger generation (inside or outside the family) is an attractive proposition.

The farm costings undertake show that it is possible to make a profit from a variety of systems and in locations throughout Europe, from Finland to the PO valley and west to Ireland. However, this demands a deliberate choice of system, and high levels of management within a cost base, appropriate to the markets available. The analyses undertaken by EuroDairy has shown how this can be achieved:-

- Very high technical management
- Business acumen
- Soft skills
- Awareness of the supply chain
- Openness to question and to learn

Many of the technical developments and delivery mechanisms required for greater resilience have been well covered in the EIP Focus Group on Dairy Resilience (2016).

What can we learn specifically from farmers engaged in the EuroDairy network. Within our Pilot Farmers are many examples of farmers:-

- Operating at a very high level of technical performance, substantially exceeding industry standard KPI's for milk output, cow longevity, young stock survival, herbage dry matter utilization etc.
- Operating diverse business models, partnerships, share farming, crowd-funding, as well as more traditional arrangements
- Enlightened individuals encouraging the next generation, providing opportunities to enter the industry, develop themselves to the point where they can leave, to take on their own business
- Developing their own markets for traditional dairy products – e.g. PDO cheeses, yogurts, or new offerings such as A2A2 milk
- Using genetics to add real value, through improved milk composition
- Entrepreneurs developing diverse parallel businesses e.g. beer cheeses, agroforestry, farm restaurants
- Implementing novel, welfare friendly housing systems
- Pushing boundaries in 'Positive welfare' in care of their animals
- Proactively engaging with some of the grand societal challenges, such as responsible antimicrobial use
- Opening their gates to connect with the consumer, and to explain dairy farming to wider society
- Using advanced social media to link to consumers and to gain markets access, to build expanding, sustainable businesses
- Adopting the latest technology, at individual cow or at herd level
- Tuned in to market trends, how to create value, grasp opportunities or ameliorate concerns
- Appreciative of market signals coming directly, or indirectly through their milk buyer
- Prepared to enter a constructive debate with most stakeholder
- Advancing biodiversity agendas
- Collaborating to improve resource, or labour efficiency
- Using advanced management techniques, such as Lean Management, particularly on large or multi-site operations
- Interpreting science, setting and implementing their own farm goals, for example, in ammonia emissions
- Proactively working together in Operational Groups to implement practice-based innovation

These are all available to be viewed on the EuroDairy website, as real life, inspirational examples to other farmers, consumers and policymakers.

The challenge is to translate this mindset, know-how and proactive attitude to other farmers.

From the EuroDairy experience what does the dairy industry need from policy makers:-

- Facilitate a dynamic progressive industry, rather than be perceived to be propping an industry which is underperforming
- Create infrastructure to enable greater connectivity, particularly rural broadband, and physical access to markets
- Incentivize professionalism within the industry, through training, apprenticeships, continuous professional development
- Incentivize business models to allow easier access for 'new blood' into the industry
- Be prepared to co-create imaginative solutions with industry around win: wins for GHG, antimicrobial use, biodiversity etc.
- Develop instruments which industry can use better to manage volatility
- Develop approaches to labelling to facilitate greater opportunities for differentiation and added value
- Create an agenda for greater transparency to educate, and allay consumer concerns
- Recognise the contribution European dairy farming makes to environmental, biodiversity, landscape, cultural or touristic goods, and be prepared to incentivize on an outcomes basis.
- Develop better metrics and frameworks so decision making can be better informed and involve input from a diversity of stakeholders

- Promote schemes which create greater mobility, access to land and capital
- Incentivise efficient producers, and collaborations to promote resource efficiency, diversity of cropping or landscape mosaic
- Encourage delivery of integrated advice, through AKIS, which seeks optimum combinations of outcomes
- Encourage training in social media and market skills
- Promote greater use of demonstration, peer to peer learning, and use of technology such as webinars for blended learning
- Continue to develop and expand the EIP model of an interactive, bottom up approach, including greater opportunity for cross-border exchange